

**JORGE C. GARCÉS**  
**Mexico and Border Affairs Manager**

Jorge C. **Garcés** has more than 20 years of experience in dealing with Texas-Mexico issues. He is currently the Mexico and Border Affairs Manager for Secretary of State Elton Bomer, the Governor's lead liaison on Mexico and border issues. Mr. **Garcés** assists the Secretary of State on matters dealing with Mexico and the border region as they relate to trade, infrastructure, transportation, environment, as well as immigration, health, and other important issues.

Prior to his present position, Mr. **Garcés** served in the Office of Border Affairs with the Texas Natural Resource Conservation Commission working on border environmental issues. He was also the Executive Director of the Border Trade Alliance, a public/private coalition of individuals, entities, and companies conducting business across U.S. borders. He also worked as a marketing specialist for Mexico and Latin America in the Texas Department of Agriculture. Prior to that, Mr. **Garcés** was Director of the Office of Texas-Mexico Relations in the Texas Department of Commerce.

He also served in the administrations of two previous governors as the staff person responsible for Texas and Mexico relations and border issues.

## **DRAFT**

GOOD MORNING. THANK YOU FOR ALLOWING ME THE OPPORTUNITY TO COME BEFORE YOU TODAY AND PRESENT TESTIMONY ON THE NORTH AMERICAN FREE TRADE AGREEMENT'S (NAFTA) IMPACT ON TEXAS TRADE AND ECONOMY.

MY NAME IS JORGE C. GARCES, AND I AM RESPONSIBLE FOR MEXICO AND BORDER AFFAIRS WITHIN THE OFFICE OF THE SECRETARY OF STATE.

SECRETARY ELTON BOMER, WHO WAS APPOINTED TEXAS'S 101<sup>ST</sup> SECRETARY OF STATE BY GOVERNOR GEORGE BUSH ON JANUARY 11, 1999, HAD A PREVIOUS COMMITMENT AND SENDS HIS REGRETS FOR NOT BEING HERE TODAY.

THE ROLE OF THE OFFICE OF THE SECRETARY OF STATE IN TEXAS HAS CHANGED SINCE GOVERNOR GEORGE W. BUSH TOOK OFFICE IN JANUARY 1994. ONE OF THE GOVERNOR'S FIRST ACTS AFTER TAKING OFFICE WAS TO ISSUE AN EXECUTIVE ORDER GIVING THE SECRETARY OF STATE THE RESPONSIBILITY TO BE HIS CHIEF LIAISON TO MEXICO AND THE BORDER REGION AND CHIEF INTERNATIONAL PROTOCOL OFFICER, IN ADDITION TO THOSE CONSTITUTIONAL DUTIES SUCH AS VOTER REGISTRATION AND ELECTIONS. MORE RECENTLY (IN JULY), THE GOVERNOR GAVE ADDITIONAL DUTIES TO THE SECRETARY OF STATE BY NAMING HIM THE BORDER COMMERCE COORDINATOR WHOSE RESPONSIBILITIES INCLUDE EXAMINING AND MONITORING TRADE ISSUES BETWEEN THE UNITED STATES, CANADA, AND MEXICO.

THANK YOU AGAIN FOR THE OPPORTUNITY TO SPEAK TO YOU ON THIS  
IMPORTANT ISSUE DEALING WITH NAFTA AND ITS EFFECT ON TEXAS. ALSO  
WITH ME TODAY ARE REPRESENTATIVES FROM OTHER STATE AGENCIES WHOSE  
PRESENTATIONS WILL EXPAND ON SOME OF MY COMMENTS.

### **NAFTA AND THE UNITED STATES**

THE NORTH AMERICAN FREE TRADE AGREEMENT WENT INTO EFFECT ON  
JANUARY 1, 1994. PRIOR TO NAFTA, MEXICO WAS ALREADY THE UNITED STATES  
THIRD LARGEST TRADING PARTNER BEHIND CANADA AND JAPAN. TOTAL  
BILATERAL TRADE BETWEEN THE UNITED STATES AND MEXICO IN 1993, THE  
YEAR PRIOR TO NAFTA GOING INTO EFFECT, WAS \$81.5 BILLION. IN 1994, THE  
FIRST YEAR OF NAFTA, TRADE BETWEEN THE U.S. AND MEXICO INCREASED TO  
\$100.3 BILLION.

BY 1999 MEXICO HAD REPLACED JAPAN AS THE UNITED STATES SECOND  
LARGEST EXPORT MARKET AFTER CANADA. ALL BECAUSE OF NAFTA. THE  
FINAL 1998 TRADE STATISTICS SHOWED THAT THE TOTAL BILATERAL TRADE  
BETWEEN MEXICO AND THE UNITED STATES MORE THAN DOUBLE TO \$173.7  
BILLION, IN THE FIRST FIVE YEARS OF NAFTA.

## WHAT NAFTA HAS MEANT FOR TEXAS?

NAFTA HAD AN IMMEDIATE POSITIVE IMPACT ON TEXAS. IN THE SIX YEARS SINCE NAFTA HAS BEEN IN EFFECT, TEXAS' TRADE WITH MEXICO AND CANADA HAS GROWN CONSIDERABLY. THAT GROWTH CAN BE ATTRIBUTED TO NAFTA FOR THE MOST PART. FURTHERMORE, DESPITE DECLINES AS A RESULT OF THE FINANCIAL CRISIS IN BRAZIL AND LOWER OIL PRICES IMPACTING THE ECONOMIES OF VENEZUELA AND COLOMBIA, LATIN AMERICA REMAINS AN IMPORTANT MARKET FOR TEXAS EXPORTS. AS THE PRICE OF OIL GETS HIGHER AND ECONOMIES BECOME STRONGER, THE FUTURE FOR INCREASING TEXAS EXPORTS TO LATIN AMERICA LOOKS BRIGHT.

TEXAS EXPORTS TO MEXICO HAVE JUMPED 80 PERCENT SINCE 1993, THE YEAR BEFORE NAFTA WENT INTO EFFECT. THAT YEAR, TEXAS SOLD MEXICO \$20.4 BILLION IN GOODS. BY COMPARISON, IN 1998, TEXAS EXPORTED \$36.3 BILLION WORTH OF GOODS AND SERVICES TO MEXICO, MAKING TEXAS THE NATION'S LARGEST EXPORTING STATE TO MEXICO, ACCOUNTING FOR 46% OF ALL U.S. SHIPMENTS IN 1998. TEXAS RANKED SIXTH AMONG THE STATES IN EXPORTS TO CANADA.

ACCORDING TO THE TEXAS PUBLIC POLICY FOUNDATION STUDY ON THE FIVE-YEAR EFFECT OF NAFTA PUBLISHED IN AUGUST 1999:

- TEXAS EXPERIENCED THE SECOND LARGEST GAIN IN TOTAL EXPORTS AMONG ALL 50 STATES;

- TEXAS EXPORTS TO MEXICO AND CANADA REACHED RECORD LEVELS UNDER NAFTA
- . OF THE 32 TEXAS INDUSTRIES THAT EXPORT TO MEXICO, 24 HAD DOUBLE-DIGIT GAINS UNDER NAFTA;
- . OF THE 31 TEXAS INDUSTRIES THAT EXPORT TO CANADA, 27 HAD GAINS.

GROWTH IN TRADE WITH MEXICO AND CANADA HAS RESULTED IN THE CREATION OF MANY JOBS. ACCORDING TO A U.S. DEPARTMENT OF COMMERCE CALCULATION, SINCE 1994, NAFTA HAS CREATED 190,000 JOBS IN TEXAS.

#### **ON THE DOWN SIDE**

THE BENEFITS DERIVED AS A RESULT OF NAFTA HAVE PRESENTED TEXAS WITH FEW CHALLENGES IN THE FOLLOWING AREAS:

- . **UNPRECEDENTED GROWTH AND HIGHWAY INFRASTRUCTURE** - BORDER CITIES HAVE EXPERIENCED TREMENDOUS GROWTH RESULTING IN OVER-EXTENDING THE RESOURCES AND CHALLENGING THE INFRASTRUCTURE. NEED ADDITIONAL FEDERAL FUNDS FOR HIGHWAY CONSTRUCTION ALONG THE BORDER.
- . **TRAFFIC CONGESTION AT PORTS OF ENTRY** - INCREASED COMMERCE HAS RESULTED IN LARGER VOLUME OF TRUCK TRAFFIC. ACCORDING TO THE U.S. CUSTOMS OFFICE, MORE THAN 2 MILLION TRUCKS ENTERED THE U.S. THROUGH SOUTH TEXAS PORTS (BROWNSVILLE, DEL RIO, EAGLE PASS,

HIDALGO, LAREDO, PROGRESO, RIO GRANDE CITY, ROMA), MORE THAN DOUBLE THE VOLUME OF 1993, THE YEAR BEFORE NAFTA TOOK EFFECT. LAREDO, WITH TWO-THIRDS OF THE TOTAL TRAFFIC FOR THE REGION, RANKS AS THE NATION'S BUSIEST COMMERCIAL INLAND PORT. EL PASO HAS ALSO EXPERIENCED SIGNIFICANT GROWTH IN TRUCK TRAFFIC FROM MEXICO.

- THERE ARE TWO OPINIONS FOR SOLVING THE PROBLEM OF TRAFFIC CONGESTION: ONE IS THAT MORE BRIDGES AND BORDER CROSSINGS ARE NEEDED, THE OTHER IS TO IMPROVE EFFICIENCY OF THE CURRENT PORTS OF ENTRY BY EXTENDING HOURS OF OPERATION, OPENING ADDITIONAL GATES AND ADDING PERSONNEL, AND MAKING CHANGES IN THE FLOW OF TRAFFIC.

- DISPLACEMENT OF WORKERS – SOME OF THE MANUFACTURERS TRANSFERRED MANY OF THEIR TEXAS OPERATIONS TO MEXICO TO TAKE ADVANTAGE OF LOWER LABOR COSTS. AS A RESULT, TEXAS HAS THE SECOND HIGHEST AMOUNT OF WORKERS CERTIFIED AS HURT BY NAFTA OR FOREIGN COMPETITION. IN TOTAL, THE DEPARTMENT OF LABOR HAS CERTIFIED 21,019 TEXAS WORKERS. MOST AFFECTED HAS BEEN THE CITY OF EL PASO, WHICH ACCORDING TO THE DEPARTMENT OF LABOR, LOST **10,000** GARMENT WORKERS BECAUSE OF NAFTA, THE MOST ANYWHERE IN THE U.S. I AM SURE THE TEXAS WORKFORCE COMMISSION WILL ADDRESS THIS ISSUE DURING THEIR PRESENTATION.

OVERALL, BASED ON THE AVAILABLE DATA, NAFTA HAS BEEN GOOD TO TEXAS AND TO THE WHOLE COUNTRY. HOWEVER, THE BORDER REGION IS BEARING THE BURDEN OF FREE TRADE. WE FEEL THAT SINCE THE ENTIRE NATION BENEFITS, THE COST SHOULD ALSO BE SHARED. THAT MEANS THE REGION NEEDS INCREASED FEDERAL INVESTMENT TO MAINTAIN AND IMPROVE THE HIGHWAY SYSTEMS, ADDRESS ENVIRONMENTAL INFRASTRUCTURE, AS WELL AS PROVIDE MORE FUNDING TO MODERNIZE AND OPERATE EXISTING BRIDGES AND BUILD ADDITIONAL BRIDGES WHERE NEEDED. ONCE THIS TAKES PLACE, ANTICIPATED GAINS TO THE U.S. ECONOMY WILL GREATLY EXCEED THE INITIAL INVESTMENT.

THANK YOU VERY MUCH!